

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6406
BILL NUMBER: SB 325

DATE PREPARED: Dec 5, 2000
BILL AMENDED:

SUBJECT: Equalization of School Property Tax Levies.

FISCAL ANALYST: Chuck Mayfield
PHONE NUMBER: 232-4825

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues			
State Expenditures		71,100,000	156,200,000
Net Increase (Decrease)		(71,100,000)	(156,200,000)

LOCAL IMPACT	CY 2001	CY 2002	CY 2003
Local Revenues		142,200,000	170,200,000
Local Expenditures			
Net Increase (Decrease)		142,200,000	170,200,000

Summary of Legislation: This bill provides state distributions to partially equalize school corporation capital projects fund levies and school corporation debt service fund levies. The bill provides that the state capital projects fund distribution will guarantee that the amount a school corporation can raise from the first \$0.55 of its capital projects fund tax rate is the amount that could be raised from an assessed valuation of \$70,000 per pupil. It provides that the state debt service fund distribution will guarantee that the amount a school corporation can raise from the first \$1 of its debt service fund tax rate is the amount that could be raised from an assessed valuation of \$70,000 per pupil. The bill also makes an appropriation from the state General Fund sufficient to make the distributions.

Effective Date: July 1, 2001; January 1, 2002.

Explanation of State Expenditures: This bill guarantees that each one cent raised in a school's capital project fund or debt service fund will generate \$7 per ADM for the first \$0.55 of the capital project fund rate and the first \$1.00 of the debt service fund rate. Schools with adjusted assessed valuation of less than \$70,000 per ADM will receive a distribution under this bill. Based on CY 2000 data, 247 schools would be eligible to receive about \$72 M to help equalize capital project fund rates. The bill limits the maximum capital project distribution to \$75.8 M for CY 2002. Based on CY 2000 data, the debt service support formula would distribute \$98.2 M to 250 school corporations to equalize debt service fund rates. However, the bill currently limits the debt service support distribution to **\$70.2 M for CY 2002**. The impact for the state General Fund is \$71,100,000 ($\$142,200,000/2$) for FY 2002 and \$156,200,000 ($\$142.2M/2 + \$170.2M/2$) for FY 2003. The bill limits the amount that can be distributed for CY 2002, but not for CY 2003 and after.

School corporations' capital project funds do not receive State Property Tax Replacement Credits. And debt service funds do not receive State Property Tax Replacement on levies generated by debt entered into after 1983. The State Property Tax Relief Fund would not be affected by the reduction in levies.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Based on CY 2000 data, this bill would have reduced property tax levies by about \$142.2 M for CY 2002 and \$170.2 M for CY 2003. Schools are allowed to levy an amount sufficient to make debt service payments and fund their capital projects fund budgets, subject to a rate limit on the capital projects fund. The levy is determined by subtracting miscellaneous revenue from the approved budget. The new distributions will increase miscellaneous revenue and therefore decrease levies. The reduction of property tax levies will cause a drop in distributions of Excise Tax and Financial Institutions Tax (FIT) which are distributed based on levies. The lost Excise Tax and FIT revenue would be redistributed to other units in the counties.

State Agencies Affected: Department of Education.

Local Agencies Affected: School Corporations; Local units receiving Excise and FIT taxes.

Information Sources: Department of Education SAS Databases.